

In the Matter of: )  
 ) Docket No.  
Implementation of the Power ) 97-SB1305/  
Source Disclosure Program ) 98-REN-CCS  
(SB 1305) and Customer Credit ) Re: Verification  
Subaccount (SB 90) ) Procedures

WEDNESDAY, JANUARY 19, 2000

Reported By:

Contract No. 150-99-001

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

STAFF PRESENT

Cheri Davis

Caryn Holmes, Staff Counsel

Heather Raitt

Marwan Masri

Gabriel Herrera

Robert Grow

ALSO PRESENT:

Dana Bruce

Sean Barry

PricewaterhouseCoopers

Jennifer Chamberlin

PG&E Energy Services

Bub Beebe, SMUD

William Chen, NewEnergy

Jan Pepper, APX

Janel Guerrero, Enron

Lowell Watros, City of Redding

Meredith Wingate

Center for Resource Solutions

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1 P R O C E E D I N G S

2 MS. DAVIS: Even though our image  
3 quality may not be perfect. First, I think I've  
4 talked to everyone, I just invite everyone to the  
5 front table if you think you have anything to say,  
6 even if you don't have a prepared presentation.  
7 We've designed this to be a round table  
8 discussion. So, anyway, you can always come up to  
9 the table later on, too.

10 Welcome, and thank you for coming to our  
11 workshop. I think that we have a small enough  
12 group that it might be beneficial to go around and  
13 introduce everyone.

14 My name is Cheri Davis, and I'm -- I  
15 work on the Power Source Disclosure Program. You  
16 probably saw me as one of the contact names in the  
17 workshop notice.

18 When you speak, make sure you speak  
19 close to the microphones. They don't amplify, but  
20 they're just used for recording purposes.

21 So my name is Cheri Davis. Off to the  
22 left here is Marwan Masri. Marwan is the lead for  
23 the Renewables Program.

24 MS. RAITT: I'm Heather Raitt, and I  
25 work on the Customer Credit.

1                   MR. HERRERA: Gabe Herrera, and I advise  
2                   the Renewable Program. I'm with the Legal Office.

3                   MS. CHAMBERLIN: I'm Jennifer  
4                   Chamberlin, PG&E Energy Services. I hope I'm  
5                   supposed to be sitting at this table.

6                   MR. WATROS: Lowell Watros, City of  
7                   Redding, Electric.

8                   MR. CHEN: Bill Chen, NewEnergy.

9                   MR. BEEBE: Bud Beebe, with SMUD  
10                  Greenergy Program.

11                  MS. PEPPER: Jan Pepper, with Automated  
12                  Power Exchange.

13                  MS. BRUCE: Dana Bruce, with  
14                  PricewaterhouseCoopers.

15                  MR. BARRY: Sean Barry, with  
16                  PricewaterhouseCoopers.

17                  MS. DAVIS: I think we'll have a brief  
18                  schedule today. I just put it up on the board  
19                  there. Introduction, we'll have a presentation by  
20                  PricewaterhouseCoopers, and then we'll open up for  
21                  comments by outside parties.

22                  Restrooms are out the second set of  
23                  doors and to the right, as are the phones.

24                  The purpose of this workshop, as you  
25                  know, is to gather input on the staff draft

1       agreed-upon procedures that were developed by  
2       PricewaterhouseCoopers under a contract with the  
3       California Energy Commission.

4               I'd like to give a brief history of the  
5       process, although it was given in the workshop  
6       notice.

7               The regulations for the Power Source  
8       Disclosure Program require that retail suppliers  
9       that have made claims of specific purchases  
10      undergo an audit of their specific purchases and  
11      retail sales. And the Customer Credit Program has  
12      similar requirements in their -- in their  
13      guidebooks.

14              Initially, we worked with Jan Hamran of  
15      the Center for Resource Solutions, and later with  
16      Meredith Wingate, to develop what we hoped would  
17      be a good set of instructions for auditors to  
18      follow in conducting this audit.

19              But what we didn't realize is that audit  
20      has very specific meanings, and that they -- an  
21      audit can be very expensive, because in an audit  
22      the auditor takes responsibility for the  
23      sufficiency of the procedures, and so they want to  
24      look at a lot more things than I think we ever  
25      intended.

1           So what the Green-e Program did is they  
2           allowed the companies to instead have agreed-upon  
3           procedures conducted in lieu of an audit. And the  
4           Energy Commission agreed to accept those agreed-  
5           upon procedures reports, at least for the purposes  
6           of the Power Source Disclosure Program, for last  
7           year.

8           This year, we decided that there was a  
9           need for at least some guidelines to auditors on  
10          how to conduct these agreed-upon procedures, and  
11          so we worked with -- we let an RFP, and  
12          PricewaterhouseCoopers won. They are developing  
13          the agreed-upon procedures for us.

14          The objectives for the Energy Commission  
15          and these agreed-upon procedures is to keep the  
16          costs low. That is, by using agreed-upon  
17          procedures instead of an audit, and by trying to  
18          make the verification requirements for the two  
19          Energy Commission programs as consistent as  
20          possible so that an auditor can do both, both  
21          verification processes at the same time.

22          And there also was consideration of the  
23          Green-e requirements, which we believe are quite  
24          similar to our requirements.

25          Another objective was to make the

1       agreed-upon procedures flexible, because we  
2       recognize that companies have -- may have  
3       different ways of documenting their purchases and  
4       sales, and so we wanted the agreed-upon procedures  
5       to use generic enough terms that -- that it would  
6       work for as many companies as possible.

7               And then an overall goal also was to  
8       provide the level assurance that was appropriate  
9       for our state mandated programs.

10              The next step after this workshop is we  
11       will have comments written up, and our goal is to  
12       finalize the protocol just as soon as possible.  
13       The time to do so will depend on the extent of  
14       comments that we receive today.

15              The Power Source Disclosure Program  
16       Regulations require completion of the verification  
17       process by June 1st, so our intention is to make  
18       sure that the protocol is available in time to  
19       allow retail suppliers to meet this requirement.

20              And now I'd like to ask Caryn Holmes,  
21       our attorney, to say some words about sort of the  
22       process that we're going to employ after this.

23              MS. HOLMES: Hi. My name is Caryn  
24       Holmes, and I'm the attorney who's working on the  
25       SB 1305 program.



1                   We have had several discussions with  
2           some of the other participants, I think, in some  
3           past workshops, about what this means for SB 1305  
4           in terms of the regulations. As most of you are  
5           probably aware, the SB 90 Customer Credit Program  
6           is exempt from the requirement to go through the  
7           Administrative Procedures Act process. SB 1305  
8           does not.

9                   The current regulations require an  
10          audit, and that's the -- the requirement that  
11          we're trying to change as a result of this process  
12          that we're here to talk about today.

13                  My hope is that we can initiate a  
14          rulemaking rather quickly, hopefully in the next  
15          month or two, and work on getting whatever agreed-  
16          upon procedures are ultimately decided to be  
17          appropriate into the regulations by the end of the  
18          year. That should take care of any problems with  
19          the filings that are submitted as of the following  
20          year, next year, and thereafter. We still have  
21          the same problem for this year that we had last  
22          year, and I am assuming that we'll handle it in  
23          the same way.

24                  But I'm fairly confident that we should  
25          be able to get a rulemaking completed by the end

1 of the year that would incorporate the changes  
2 that people agree are appropriate, and the sooner  
3 we can get that process going, the better.

4 So if anybody has any questions about  
5 what that involves, it's -- it's actually a pretty  
6 tedious process, but it doesn't involve a whole  
7 lot of input from outside parties unless there's  
8 real concerns about what we're doing. Typically  
9 it's something that the staff goes through. It  
10 takes anywhere from four to eight months, and we'd  
11 like to get going on it.

12 MS. DAVIS: Thank you, Caryn.

13 Gabe, do you have anything to say about  
14 the process for the Customer Credit Program?

15 MR. HERRERA: Well, as Caryn mentioned,  
16 the SB 90 program is a lot -- a lot easier to  
17 comply with, because of the APA exemption, so as a  
18 result we can move forward with implementing these  
19 agreed-upon procedures soon, assuming they are  
20 accepted by the Commission and the committee, the  
21 Renewables Committee fairly quickly.

22 They can either be approved as a  
23 substantive change or non-substantive change to  
24 the Customer Credit guidelines, which would  
25 require at the max 30 day public notice after they

1       were finalized.

2               So it could happen fairly quickly.

3               MS. DAVIS: Thank you, Gabe.

4               With that, I think we'll have  
5       PricewaterhouseCoopers give their brief  
6       presentation. It's an overview of the agreed-upon  
7       procedures that they developed.

8               Except we're still talking about how to  
9       get it up on the screen.

10              MR. BARRY: Let me -- I'll just first  
11       apologize for the technology. We always have a  
12       Plan B, which is the handouts, and it looks like  
13       they'll be more important than we would have  
14       wished they were this morning when we walked  
15       across the street.

16              MS. DAVIS: We're trying to match  
17       PricewaterhouseCoopers' technology with Energy  
18       Commission technology, and --

19              (Laughter.)

20              MS. DAVIS: -- it hasn't worked out.

21              MR. BARRY: I'll start with a few  
22       introductory comments, and the Dana will walk you  
23       through the presentation.

24              Cheri I think captured the background  
25       very well, at least as we saw the -- the charge of

1       our assignment, which was to develop this  
2       protocol. As a general comment, we see this as  
3       part of the overall market confidence in the  
4       Renewable Energy Programs, both private sector and  
5       those that channel through the CEC, in having some  
6       cost effective way to add credibility, if you  
7       will, to the information that's conveyed not only  
8       internally to the CEC, but to -- basically to the  
9       customers in the State of California is -- is  
10      vital.

11               Cost effective was, I think, probably  
12      the reason why we're here. The initial guidelines  
13      were written using the term "audit" more loosely  
14      than it probably should have been, in retrospect,  
15      and that relates both to the CEC side as well as  
16      Green-e. And so a big part of this mission was to  
17      take those terminologies, if you will, and break  
18      them down into what can be achieved in the audit  
19      profession with regard to the audit literature.

20               So what we ended up with is a protocol  
21      that -- that hopefully works as a -- essentially  
22      as a how-to guide, to hand to a service provider,  
23      hand to an independent accountant, and with the  
24      records of the companies can be -- essentially the  
25      reports can be issued following those guidelines.

1       So that was the intention.

2               The -- today's presentation, we're -- I  
3       guess we've introduced ourselves. As a little  
4       further introduction, both Dana and I specialize  
5       in the energy, and more specifically in the  
6       utility field. Our clients involve -- include  
7       Cal-ISO and a number of distribution companies. I  
8       have spent the better part of the last 15 years in  
9       the utility industry, and have been sort of  
10      dealing with this renewable energy issue and  
11      validation from a number of angles over the last  
12      few years.

13             We -- what we want to do is just outline  
14      for you the methodology we went through, the key  
15      decisions that were made -- in fact, we might flip  
16      to the next slide -- a real quick description of  
17      the scope of the Assurance Protocol, identify some  
18      key points, and then talk just at the end about  
19      where we -- where we go from here, which frankly  
20      is quite a bit more a CEC process, if you will,  
21      than our making judgments.

22             So with that, let me, if you will, turn  
23      it over to Dana, and we can --

24             MS. BRUCE: Did anybody -- why don't we  
25      have projected up on the screen -- and I

1 apologize, a little bit of this cut off. I've got  
2 a couple extra copies here. I think most of you  
3 already have what's being projected. Is there  
4 anybody that needs that? Okay. I'll put these  
5 right here, then.

6 MS. DAVIS: I need one, if no one else

7 --

8 MS. BRUCE: Oh, okay.

9 And if we run out, I invite you to sit  
10 up front, because I'm sure this is very difficult  
11 to see if you're sitting in the back.

12 Some of the key decisions that Cheri  
13 touched upon was the cost of performing the  
14 procedures, and what we developed and what's out  
15 in the protocol is a form of an agreed-upon  
16 procedures versus an audit. I'll talk about it a  
17 little bit more in detail a little bit later.

18 Part of the considerations were who  
19 would be qualified to perform this examination.  
20 What we determined was that we used the  
21 terminology accountant in the protocol, and that  
22 would mean a certified public accountant who's a  
23 member of the American Institute of Certified  
24 Public Accountants, or a member of the -- a  
25 certified internal auditor.

1                   We also took into consideration some  
2           other industry assurance requirements.  
3           Specifically, we had some resources within  
4           PricewaterhouseCoopers that related to the EPA  
5           standards that had related to the 1990 Clean Air  
6           Act. And so we did some conference calls and  
7           spoke with some people and involved the CEC in  
8           that discussion, to talk about some of the  
9           problems that they encountered and how they  
10          resolved their situation.

11                   Very similarly, they had initially  
12          required to have an audit done by CPAs. And the  
13          industry, as well as CPAs serving the industry,  
14          came back and said this is going to be very  
15          expensive, and the assurance that you're  
16          requesting we really can't do. And so they moved  
17          to have an agreed-upon procedures report.

18                   And very similarly, they also allow to  
19          have a certified internal audit perform the  
20          procedures, or an independent certified public  
21          accountant.

22                   We also designed the protocol to use  
23          sampling techniques, and those are the application  
24          of testing to less than 100 percent of the  
25          population. And the reason for that is to allow a

1 high level of assurance for the Energy Commission  
2 without being overly burdensome and having to test  
3 100 percent of the population.

4 Are there any questions regarding the  
5 key decisions? Okay.

6 The scope of the Assurance Protocol  
7 covers both the Power Source Disclosure Program  
8 and the Customer Credit Program. But -- and  
9 that's outlined in Section 3 of the protocol. But  
10 each step of the protocol references if it's  
11 applicable to either program or both programs. It  
12 also tells what the objectives of the step are,  
13 because we believe that the accountant, as well as  
14 the service provider needs to understand what  
15 those objectives are so that they can perform the  
16 necessary steps.

17 It also references the types of reports  
18 and information that would be -- that would need  
19 to be provided by the participants for their  
20 internal records.

21 We also were cognizant of the fact that  
22 the Green-e, or the Center for Resource Solutions  
23 has a Green-e certification program and that there  
24 may be some overlapping. However, there are some  
25 differences in the program, and we really want to



1 make sure that the participants and the auditors  
2 are looking carefully to make sure that they're  
3 going to comply with the Center for Resource  
4 Solutions' own program requirements. This  
5 protocol was designed to meet the Energy  
6 Commission's requirements.

7           There's also reference to the protocol  
8 regarding a Generation Certificates Program, which  
9 is an Energy Commission -- is in the process of  
10 developing this proposed program, which would  
11 allow the creation of a certificate to evidence  
12 the type of fuel that was generated. And this  
13 could be sold, traded, bartered. If this program,  
14 or once this program is finalized, this will have  
15 an impact on the protocol as it now stands,  
16 because the protocol was not developed with having  
17 the certifications as a primary source to rely on  
18 instead of having to look at invoices and some of  
19 the other documentation.

20           Since this was a proposed program, what  
21 we did in the protocol was we tried to reference  
22 and indicate in each of the steps if we thought  
23 that this would have an impact once the  
24 certification program -- Generation Certification  
25 Program comes into being.

1 MR. MASRI: Dana, how extensive --

2 MS. BRUCE: Yes.

3 MR. MASRI: -- the revision would be  
4 necessary to accommodate -- could you touch on the  
5 form, what would it take to make it applicable to  
6 --

7 MS. BRUCE: Sure. Probably the biggest  
8 area is in Section 3A, it talks about the supply  
9 verification process, and it would have a  
10 significant impact on some of the test steps  
11 performed there because I believe it's the intent  
12 of the Energy Commission to be able to use these  
13 certificates as evidence of the type of fuel that  
14 may have been purchased but they haven't been  
15 resold, et cetera.

16 There would be several steps which  
17 actually would be modified. It would be easier  
18 for the participant; however, not everybody may be  
19 participating in the certificates program, so it  
20 probably results in having two different kind of  
21 if this, then perform this stuff. If you don't  
22 have these certificates, then you would continue  
23 to perform the procedures as they've been drafted  
24 in the protocol.

25 There are some scope decisions that will

1       need to be made by the participant and by their  
2       accountant. Primarily, these relate to the  
3       sampling techniques that would be used and being  
4       able to determine what an expected error rate  
5       would be. Also, some sampling size questions.  
6       And those are also clearly defined when a scope  
7       decision is required within the protocol.

8               The Assurance Protocol, as we've  
9       mentioned, is an agreed-upon procedures reporting,  
10      and it was developed in accordance with American  
11      Institute of Certified Public Accountants, which  
12      clearly defines agreed-upon procedures. It  
13      defines the performance of the work, and it also  
14      defines the reporting requirements under that. It  
15      is not an audit opinion. It is lower level of  
16      effort than the cost of an audit, and it consists  
17      really of test and findings. The auditor is not  
18      giving an opinion as to the sufficiency of the  
19      test or procedures performed.

20             And it says that in the report.  
21      Basically they're just saying this is what --  
22      these are the tests that we performed, and these  
23      are our findings.

24             Any questions on the agreed-upon  
25      procedures report, the level of assurance?

1           The protocol indicates that the agreed-  
2       upon procedures report for both programs would be  
3       based upon a December 31st year end basis, and  
4       that the report would be due to the Commission  
5       beginning May 31st, beginning in the current year,  
6       2000. There's other required information that's  
7       mentioned in the protocol that would be submitted  
8       along with the agreed-upon procedures, but it  
9       would not be part of the audit -- or, excuse me,  
10      the auditor's or the accountant's report. This  
11      would be additional information that the service  
12      provider would attach to the agreed-upon  
13      procedures report and submit to the Energy  
14      Commission.

15           And it goes into the specifics and the  
16      protocol, but there are some program specific  
17      information, whether that's the Customer Credit or  
18      the Disclosure Program; some management assertions  
19      which management is asserting that the information  
20      contained in the agreed-upon procedures report and  
21      provided to the accountant in performing the  
22      agreed-upon procedures report is complete and  
23      accurate.

24           And then it also requests some flow  
25      chart and diagram information to help the Energy

1 Commission understand the types of reports that  
2 were used by the accountant in performing the  
3 procedures.

4 MS. DAVIS: Just a -- a brief correct.  
5 For the Power Source Disclosure Program, the  
6 actual verification report is due June 1st. Just  
7 --

8 MS. BRUCE: Okay. Principal tests to be  
9 performed, we mentioned use of sampling techniques  
10 as outlined in the protocol and references. AICPA  
11 standards on how the sampling technique should be  
12 applied. The primary testing attributes -- again,  
13 I want to emphasize the fact that the accountant  
14 and the service provider need to understand the  
15 objectives of the tests, and those tests primarily  
16 consist of reading information, vouching, doing  
17 some recalculations.

18 The specific assurance requirements are  
19 applicable to either the Disclosure and/or the  
20 Credit Programs. Again, it's mentioned in the  
21 protocol which programs are applicable to.

22 Objectives of each step are mentioned.  
23 The types of reports that are necessary for  
24 testing are mentioned, and then the specific tests  
25 to be performed.

1           There's sample report excerpts and some  
2       other practice aids that are in the information.  
3       We included a brief sample which is taken from the  
4       AICPA standards on the form of the agreed-upon  
5       procedures report. And we tried to go ahead and  
6       create what we would think this report would look  
7       like, based upon the test steps that are  
8       specifically identified in Section 3.

9           We did not do this for the entire  
10      document, because it would have been very  
11      cumbersome, and each entity is going to be a  
12      little bit different, so we didn't want to add  
13      confusion onto that where people would think that  
14      their report was supposed to look exactly like the  
15      one that was in the document. But I think that it  
16      gives a good basis for if you look at the sample  
17      auditor's report, the sample accountant's report,  
18      and go back and look at what the specific  
19      requirements are in Section 3, you should be able  
20      to match them up and see the step that's required,  
21      and then how the accountant reports on this step  
22      under agreed-upon procedures.

23           There's also sample management assertion  
24      letter. There's information that's needed by the  
25      accountant to perform the procedures, and then

1       there's also a glossary of terms which again  
2       mentions the information that's needed by the  
3       accountant. And we also included what we would --  
4       would you call them sample report titles, and  
5       obviously everybody's going to have a report that  
6       they call -- internally, that's termed different.  
7       But we -- what we were trying to do is make it  
8       descriptive enough so that it would hopefully  
9       provide some understanding to what information the  
10      accountant would need to be contained in the  
11      internal produced reports.

12               Now I'll turn it over to Sean to talk  
13      about the status of project and final steps,  
14      unless anybody has any questions that they would  
15      like to bring up right now.

16               MR. BARRY: As a general comment, the  
17      following steps are to digest that these -- today  
18      will work with the CEC on -- we'll work with the  
19      CEC staff in addressing the issues, and I think  
20      the plan is -- was articulated earlier to get this  
21      thing -- get the protocol issued in final form as  
22      soon as possible. And that timeline will frankly  
23      be sort of we're here to help the CEC make that  
24      happen.

25               The -- there's an open issue in terms of

1       how to address the guidebooks that were issued  
2       previously that address, quote, unquote, audit  
3       procedures. I think the CEC staff will just  
4       consider whether or not it makes -- it's  
5       appropriate to go back and modify those  
6       guidebooks, or whether this guidance sort of  
7       stands on its own and there's really not an  
8       administrative need, if you will, to go back and  
9       change those. And that's a decision that will be  
10      made.

11               MS. DAVIS: That applies to both the  
12      guidebooks and the regulations.

13               MR. BARRY: Yeah. Then turning to sort  
14      of final thoughts, just to emphasize a couple of  
15      very key points. One is that -- if we haven't  
16      beaten you over the head enough, that this  
17      protocol will provide, and the agreed-upon  
18      procedures will provide limited, not absolute  
19      assurance that the reporting is accurate and in  
20      compliance with the CEC standards.

21               I guess change is inevitable. Change as  
22      it relates to these programs, and the  
23      administration of these programs, is inevitable.  
24      So what that means is that this protocol and/or  
25      the requirements will change, as well.



1                   The -- I also want to emphasize the cost  
2     benefit. I think every meeting we had with the  
3     CEC staff, and the meetings we had with the market  
4     participants, the concept of cost benefit and not  
5     wanting to overly burden the assurance side of the  
6     Renewable Energy Programs with costs was -- was  
7     again emphasized each and every time. So what we  
8     tried to develop was a plan that was cost  
9     effective and one that was flexible.

10                  One of the cost effective, I guess,  
11     decisions was whether or not the work needs to be  
12     done by an independent accountant, or whether it  
13     can be done by an internal audit team. And in  
14     many cases, the internal audit team will be a more  
15     economic decision, and so that flexibility was  
16     built into the protocol, for example.

17                  MR. MASRI: Sean.

18                  MR. BARRY: Yes.

19                  MR. MASRI: Could you elaborate on the  
20     first bullet, please, on that this provides  
21     limited assurance, how limited that is --

22                  MR. BARRY: I'll try, but --

23                  MR. MASRI: -- and is it so limited as  
24     to be useless, or what?

25                  (Laughter.)

1                   MR. BARRY: We could fill an hour with a  
2                   discussion. In fact, I think Dana at some of our  
3                   meetings has, in fact, filled an hour with a  
4                   specific answer to your question.

5                   In summary, an audit is a report from  
6                   your independent accountants that says in our  
7                   opinion, this information is fairly presented.  
8                   Okay. That's a -- it's not -- in all material  
9                   respects. That's a fairly assertive, strong  
10                  assurance that you're getting.

11                  In agreed-upon procedures, what the  
12                  accountant is reporting is we performed these  
13                  tests in accordance with the guidelines that were  
14                  given to us, and here's what we found. And the  
15                  reader of the report is left to the -- to make --  
16                  draw their own conclusions from what is reported.

17                  Now, that said, we designed these with  
18                  -- with, you know, with the concurrence of the CEC  
19                  staff, these -- these procedures, to cover the  
20                  bases properly. But there -- but it is a more  
21                  limited level of assurance than what you would get  
22                  if you got an audit. That's the reason why it  
23                  will cost less.

24                  So I don't think it's meaningless, but  
25                  there is less assurance ultimately that you got --

1       it's not absolute.

2               MS. BRUCE:   And --

3               MR. HERRERA:   Well, Marwan, if I can  
4       comment, too.   There will be a need to follow up  
5       with these agreed-upon procedures with an audit.  
6       I think you have a statement from a third party  
7       who's independent from the system, saying listen,  
8       there's a problem here.   There could be -- there  
9       could be action that the Energy Commission could  
10      take, for example, if the auditor in the auditing  
11      finding concluded that there was some  
12      misrepresentation.   We could pursue some  
13      enforcement action.

14              With the agreed-upon procedures, they're  
15      going to note if there is some problems, and then  
16      it's incumbent upon us to follow up, maybe through  
17      a random audit, or ask for additional information,  
18      to see if in fact it's appropriate for the  
19      exceptions noted in the findings.   So --

20              MR. MASRI:   So the findings from this  
21      procedure will not be sufficient for us to take  
22      action.

23              MR. HERRERA:   No, what it's going to do  
24      is it's going to raise a flag there's a potential  
25      problem here, you might want to look into it.   And

1       that will come across as a noted exception in the  
2       agreed-upon procedures.

3               MR. BARRY:  Thank you.  That's an  
4       excellent point.

5               MS. BRUCE:  Yes.

6               MR. BARRY:  And again, another way to  
7       characterize the difference is an audit is a  
8       yes/no flag.  Either it is fairly stated in all  
9       material respects, or it's not.  And almost never  
10      is an audit report say it's not.  So, I mean, it's  
11      basically a positive assertion.

12              And agreed-upon procedures is more  
13      detailed elaboration, if you will, as to what was  
14      found.  And so there is -- there will be  
15      interpretation.  And I'm sure that you'll get --  
16      the CEC will receive reports that either indicate  
17      exceptions that were found, or issues that were  
18      addressed, that will be left to the CEC and/or the  
19      market participants to resolve.

20              So in some respects, you get more  
21      information with the agreed-upon procedures than  
22      with an audit.

23              The last point on this slide is that we  
24      -- I guess, in summary, the CEC staff that we  
25      worked with cared about this program.  We got

1       their, you know, a high level of cooperation and  
2       feedback, and they helped tremendously in getting  
3       this out, and it truly was a team effort. And  
4       it's important for us to recognize that.

5               And the last point is, without sounding  
6       trite, California is at the leading edge in this  
7       issue, and sometimes the leading edge can be the  
8       bleeding edge, and it is a little cumbersome  
9       working through it for the first time. I guess in  
10      all due respects, the Center for Resource  
11      Solutions in the Green-e program was probably even  
12      a little bit more on the bleeding edge, because  
13      they were the first ones that were able to  
14      facilitate getting some market reporting,  
15      assurance reporting on Renewable Energy Programs.

16             But the point is that you're bearing a  
17      little bit more of a burden than other states will  
18      because you're going to be -- you're the first out  
19      to try to actually address this issue, and that's  
20      why I think it's probably a little more cumbersome  
21      than it ought to be in a lot of the minds of the  
22      people sitting at the table and -- and the  
23      audience.

24             That's it.

25             MS. DAVIS: Okay. Thank you, Sean and

1 Dana.

2 MS. BRUCE: Sure.

3 MS. DAVIS: Well, with that, I think  
4 we'll open up the floor to comments.

5 I would like to remind everyone that in  
6 Attachment B to the workshop notice, we did ask  
7 several questions. Let me just review them.  
8 We're hoping that parties will address these  
9 questions when they present comments.

10 The questions are, describe any  
11 potential concerns regarding the proposal to use  
12 agreed-upon procedures. If you have an alternate  
13 proposal, please present it and provide specific  
14 suggestions.

15 Number two says, Customer Credit  
16 question. Is the proposed protocol effective in  
17 advancing the market for renewable energy by  
18 presenting the misuse of public funds. What would  
19 you suggest to more effectively meet these program  
20 goals.

21 Power source disclosure question is,  
22 will the proposed protocol provide adequate  
23 consumer protection by verifying the accuracy of  
24 claims? If no, please explain why not and provide  
25 suggestions on how the procedures should be

1 modified.

2 And finally, a market question. Will  
3 the proposed protocol provide adequate competition  
4 in the renewable energy market and maintain market  
5 flexibility.

6 In addition, I have one more question.  
7 I added an attachment to PricewaterhouseCooper's  
8 protocol, and the attachment was a sample of the  
9 annual retail supplier report forms. And that was  
10 necessary because the protocol actually does refer  
11 to the schedules in those forms.

12 If anyone has any comments on those  
13 forms we would appreciate hearing those, as well.

14 Just one final reminder, and that is  
15 when you speak, speak within two feet of the  
16 microphone, and please state your name before  
17 speaking.

18 So, who has comments for us?

19 MR. HERRERA: Cheri, a quick question  
20 for you. I couldn't find the flow chart that's  
21 referenced in here, and I'm just wondering if that  
22 was excluded from some of the packages.

23 MR. BARRY: Yeah, it is. And, in fact,  
24 as we work through the flow chart I'm -- I'm not  
25 clear, at this point we'll probably pull the flow

1 chart out of the protocol --

2 MR. HERRERA: Okay.

3 MR. BARRY: -- because it's very  
4 difficult to put a flow chart in that's generic  
5 enough to be helpful yet tie to these things. So  
6 the flow chart will probably come out.

7 MS. DAVIS: Bud, do you have a comment?

8 MR. BEEBE: Yeah. This is not directly  
9 to their presentation, but just to recap what I  
10 thought I heard from the lawyers this morning,  
11 that what we're doing here is really beginning the  
12 process to develop the procedures that will be in  
13 place by the end of this year so that for next  
14 year we'll be able to use them.

15 And this -- the verification procedure  
16 that will be used for the 1999 calendar year will  
17 be ad hoc led by the voluntary efforts like we did  
18 last year. Is that --

19 MS. DAVIS: No. Our intention is to  
20 have the protocol completed in time for this  
21 year's verification process. That is our  
22 intention.

23 MR. BEEBE: Okay. Yeah, I did not --  
24 that's not what I heard when I heard Ms. --

25 MS. DAVIS: Caryn Holmes.



1                   MR. BEEBE:  -- Holmes, Caryn Holmes.  So  
2                   thank you for that clarification.

3                   MS. DAVIS:  It will take time for the  
4                   regulations to be changed.  However, I believe  
5                   that we are going to have time to have the  
6                   protocol ready before the regulations are actually  
7                   completed.  And it's unknown at this time whether  
8                   the regulations specifically have to contain the  
9                   actual instructions in them, or whether -- whether  
10                  we can just reference these guidelines in the  
11                  regulations.

12                  MR. BEEBE:  So you hope to get the  
13                  protocol --

14                  MS. DAVIS:  Yes.

15                  MR. BEEBE:  -- plan to get the protocol  
16                  done in time for us to be able to use it --

17                  MS. DAVIS:  This year.

18                  MR. BEEBE:  -- to have results back by  
19                  the 31st of May.

20                  MS. DAVIS:  Yes, by June 1st.  Right.

21                  MR. BEEBE:  Okay.  But whether or not  
22                  that's completely in keeping with the regulations,  
23                  and so forth, that can come later somehow.

24                  MS. DAVIS:  Yes.

25                  MR. BEEBE:  Okay.  Thank you very much

1       for that clarification. That helps a lot.

2               MR. HERRERA: Well, and in fact, it's  
3       very possible that the agreed-upon procedures will  
4       be in place for the Customer Credit Program, so  
5       the retailers that are participating in that  
6       program would be required to follow the agreed-  
7       upon procedures for Customer Credit. If they were  
8       also required to submit reports, whatever, to  
9       comply with 1305, then they could also use it for  
10      that purpose.

11              And also, from -- procedurally, the APA  
12      does provide an emergency rulemaking proceeding  
13      that allows you to implement rules quicker versus  
14      the normal process which, as Caryn explained,  
15      could take four to eight months. I'm not sure  
16      that we could utilize that in terms of  
17      implementing these regulations -- or, excuse me,  
18      the agreed-upon procedures quicker or not.

19              MS. DAVIS: Do you have another comment?

20              MR. CHEN: I just want to make sure I  
21      understand the issue that this gentleman raised.

22              So, for example, if a provider  
23      participated in the --

24              MS. DAVIS: Excuse me. Could you state  
25      your name?

1                   MR. CHEN: Yeah, I'm sorry. It's William  
2                   Chen, with AS Newenergy.

3                   For example, if a -- if my company, for  
4                   example, participated in the Customer Credit  
5                   Southern Cal program in calendar year 1999, are  
6                   you saying that our report following this agreed-  
7                   upon procedure is going to be due no later than  
8                   June 1st of 2000?

9                   MS. DAVIS: We just had a Customer  
10                  Credit question.

11                  MS. RAITT: Yeah, right now that's what  
12                  we're looking at doing. Correct.

13                  MR. CHEN: Okay. If we do not start  
14                  participating in the Customer Credit Program until  
15                  sometime in calendar year 2000, then is our report  
16                  due in June, by June 1st of 2001?

17                  MS. RAITT: Correct.

18                  MR. CHEN: Okay. And I guess for the  
19                  Power --

20                  MS. DAVIS: Power Source Disclosure  
21                  Program.

22                  MR. CHEN: -- Source Disclosure Program,  
23                  I guess that's -- that's kind of an ongoing thing,  
24                  because if you're providing, you know, you're a  
25                  retail provider -- I mean, I guess if you're not

1 claiming specific purchases you're not subject to  
2 this annual audit which is the subject of this  
3 agreed-upon procedure. However, we're still  
4 supposed to be -- we're still required to submit  
5 quarterly reports; is that right? Or how does  
6 that work?

7 MS. DAVIS: The power content label is  
8 -- is required, is a required disclosure by all  
9 retail suppliers.

10 MR. CHEN: Right.

11 MS. DAVIS: If no claims of specific  
12 purchases are made, then nothing has to be  
13 submitted to the Energy Commission. If -- if  
14 specific purchases are claimed, then the retail  
15 supplier is required to submit an annual retail  
16 supplier report to the Energy Commission, and it  
17 is that report which is the subject of the  
18 verification process.

19 MR. CHEN: Right. Okay. Thank you.

20 MS. GUERRERO: Cheri, Janel Guerrero,  
21 with Enron.

22 And there's quite a few retailers today,  
23 and I know that we've got specific comments on the  
24 protocol, and I think Jennifer's going to speak on  
25 that later. But I just wanted to make a few

1        comments.

2                As a national retailer, this last slide  
3        is particularly interesting. California is the  
4        leading edge in this area. You guys have taken  
5        quite a lot of time to reach out and get  
6        information from other sources. You've -- I think  
7        you've had a very open door policy with other  
8        retailers. You've strived for flexibility for  
9        cost effectiveness, and I think you're actually  
10       really attempting to meet those goals.

11               We are not seeing that in other states.  
12       We are not seeing uniformity, we are not seeing  
13       cost effectiveness, we're not seeing common  
14       standards or flexibility. So what you've done is  
15       truly helpful to retailers who want to comply, who  
16       are looking for additional information and  
17       guidance. The Center for Resource Solutions has  
18       provided a lot of information and guidance for us,  
19       but the Commission, I think, has also been very  
20       successful. And so I really, really want to thank  
21       all of you for communicating with retailers, being  
22       very open to our concerns and about our questions  
23       for how we can comply.

24               I think there's certainly going to be  
25       changes. I don't think anyone is committed to

1 something if it's not working, and I think we're  
2 open to expanding the program if we need to. But  
3 this is a really good place to start, and I think  
4 you guys are on the right track.

5 So I really want to say thank you. We  
6 are not seeing this kind of coordination and  
7 communication in other states. You are far, far  
8 ahead of other states. So those are sort of  
9 general comments.

10 And then the marketers and the retailers  
11 that are also here today, we are submitting  
12 written comments, and have specific comments on  
13 just a few items that we had questions over.

14 But beyond that, you're doing a great  
15 job. So thank you very much, on many fronts.  
16 It's a big job, and you've tackled it very well.

17 MS. DAVIS: Thank you, Janel. We  
18 appreciate those comments.

19 MS. CHAMBERLIN: Okay. Jennifer  
20 Chamberlin, with PG&E Energy Services.

21 I have written comments today that I'll  
22 submit -- we have a few copies I think that can go  
23 around if you want some around the table -- on  
24 behalf of Commonwealth Energy, Enron Energy  
25 Services, GreenMountain.com, ourselves,

1       PacifiCorp, and Sacramento Municipal Utility  
2       District.

3               And in general, again, I want to echo  
4       what Janel said. We have been really, really  
5       pleased and really, really impressed with how this  
6       process is going in comparison with how it's going  
7       in other places. You've been very willing to work  
8       with us, listen to what we've had to say, and we  
9       value that immensely.

10              And we also want to give you some kudos  
11       and general support for moving to an agreed-upon  
12       procedures protocol from an audit. That's a word  
13       that has been used both in California and in other  
14       places. After going through the Green-e process  
15       last year, we learned actually what an audit was,  
16       and that was very enlightening. That's a message  
17       that we're sharing with the rest of the country.  
18       Hopefully they'll listen as well as you folks  
19       have.

20              And so we want to lend our full and  
21       complete support to this process. We're  
22       absolutely willing to -- if this doesn't provide  
23       quite the level of assurance, we would support a  
24       spot audit or whatever else needs to happen, do a  
25       report, or whatever you need to do that. But this

1 is a great place to start.

2           We have just a few comments. In  
3 general, we find that this is -- this is a pretty  
4 good protocol. Lots of flexibility, lots of  
5 ability to -- to conform with the different ways  
6 in which we do business.

7           I think the most critical general  
8 comment we had is that if we were going to submit  
9 these by May 31st or June 1st of this year, we  
10 really need to have a protocol that -- that's  
11 basically in place by March 1st. We learned last  
12 year that educating our auditors, educating our  
13 internal staff, gathering the documentation, and  
14 making sure that this goes smoothly is time  
15 consuming. This is new for all of us, and it's  
16 not something that we can do in two weeks. Heck,  
17 you can hardly find an auditor to write a  
18 procedure from protocols like this in two weeks,  
19 much less get the whole thing done.

20           So that would be one of our critical  
21 general comments.

22           Let's see. In addition, we're attaching  
23 a copy of the agreed-upon procedure protocol used  
24 by Green-e, and the auditor worksheets from last  
25 year. I know that you included a sample, a very



1       brief sample procedure in your protocols. We  
2       don't know how feasible it is. We'd be very  
3       interested in seeing a longer procedure, one that  
4       kind of walks through the whole step.

5               Again, as a guideline to give to our  
6       auditors, it would save us a fair bit of time, and  
7       our auditors a fair bit of time in figuring out  
8       what we're going to be not -- knowing that we'll  
9       need to make some changes. But this is a new  
10      process for a lot of folks, both internal and  
11      external, and the more guidance we can have, the  
12      happier we all -- we all are.

13             Again, we attached the auditor  
14      worksheets as well. They were very helpful in  
15      filling out the Green-e process last year, the  
16      Green-e procedures last year. And we didn't see  
17      any this year.

18             MS. DAVIS: I have a question about  
19      that.

20             MS. CHAMBERLIN: Sure.

21             MS. DAVIS: For the purposes of our  
22      programs, and I guess I'll speak for the Power  
23      Source Disclosure Program -- well, let me back up.

24             I know when I -- I've worked with  
25      Meredith in development of these -- these auditor

1 worksheets, and we did intend them to be filled  
2 out by the auditor. We didn't understand that  
3 auditors don't like to do such things. And some  
4 of the headings and the columns are, you know, as  
5 opposed to what the retail supplier submits on  
6 their annual retail supplier report, what you'll  
7 see here is verify megawatt hours purchase.

8 So we thought well, the auditor would --  
9 would verify first, and then put the numbers in  
10 here, and if it's different from what the retailer  
11 put in their annual retail supplier report, then  
12 -- then that's what would show up here. And in  
13 reality, the auditors had the retailers fill these  
14 out.

15 MS. CHAMBERLIN: Yes.

16 MS. DAVIS: For the Power Source  
17 Disclosure Program, it seems to me that the annual  
18 retail supplier report forms provide all of the  
19 same information that you see here, at least as  
20 far as what the retail supplier can put down.  
21 Obviously the retail supplier can't enter in  
22 verify megawatt hours sold, because they, you  
23 know, they haven't verified it.

24 So I'm -- the one worksheet where I do  
25 see something different than what's in the annual

1 retail supplier report is Green-e auditor  
2 worksheet 3, which is on page 12, other comments,  
3 in which we intended how the auditor would go  
4 through the calculation process to see what their  
5 annual power content label should -- should have  
6 looked like. That's the only information that I  
7 see that really is different than what's in the  
8 annual retail supplier report forms.

9 Is that in particular one area that  
10 would be useful to have the retail supplier  
11 provide information to the auditor, or, I guess,  
12 was there some other value in having these  
13 worksheets?

14 MS. CHAMBERLIN: I think the value for  
15 the worksheets, one, is that they let suppliers,  
16 particularly those who haven't done this before,  
17 really have their information together, make sure  
18 that there aren't any gaps. It was kind of a  
19 guideline for auditors in terms of walking it  
20 through. It helps in filling out the -- or  
21 writing the agreed-upon procedures protocol  
22 because they could say we compared column A to  
23 column D on worksheet number blah-da-blah, and see  
24 if they reconciled. And I think that it just  
25 simplified writing the procedures.

1                   Also, you know, as we step through on  
2                   the customer credit side, which I haven't looked  
3                   at quite as closely because we haven't done this  
4                   part of the process before, it helps with the data  
5                   collection. The first time -- first time you do  
6                   this it's a little daunting. And I know that our  
7                   auditors were actually very glad to have the  
8                   worksheets that we had filled out. It helped us,  
9                   we did an internal audit before we went to our  
10                  external auditors, and they just -- they found it  
11                  very useful.

12                 MR. MASRI: Jennifer, the three months  
13                  that you need to carry out this procedure, is that  
14                  the same for Customer Credit as for Retail  
15                  Disclosure?

16                 MS. CHAMBERLIN: I would assume so, yes.

17                 MR. MASRI: And Sean -- and the amount  
18                 --

19                 MS. CHAMBERLIN: Three months.

20                 MR. MASRI: -- I wonder if -- three  
21                  months, is that what I said?

22                 MS. CHAMBERLIN: Is that what you said,  
23                  three months? You said --

24                 MR. MASRI: Yeah.

25                 MS. CHAMBERLIN: -- first of March,

1       yeah.

2                   MR. MASRI:   March 1st to the end of May.

3                   Now, from your point of view, okay,  
4       timewise how long would it take for an accountant  
5       to carry this out?

6                   MR. BARRY:   Every meeting we're in with  
7       you you ask us that question, and I -- and I tap  
8       dance around it.  It -- as, you know, it's  
9       impossible for me to -- to estimate with any kind  
10      of reliability what it would take, for example, to  
11      perform such procedures for PG&E, given that I  
12      really don't have very good knowledge of how their  
13      records roll up, and what have you.

14                  In a very simple -- but I will help you  
15      with this -- in a very simple environment, where  
16      invoices track directly to reports, there is not  
17      trading, there's not aggregation, that the  
18      specific purchases are very well clarified,  
19      they're on a monthly basis, it rolls up, I think  
20      this work can be done, you know, at the low end,  
21      in, you know, maybe a hundred hours or so, give or  
22      take.  I think, as I've looked at some of the  
23      Green-e reports, it looked to me as if there was  
24      actually less time than that spent on some, by  
25      some of the market participants, auditors, if you

1 will. I'm not sure that -- that that was really  
2 -- it resulted in one or two cases in the right  
3 quality of report.

4 So my, I guess my -- my answer is, a  
5 hundred hours, maybe a little less, on the low  
6 end. But for some of the more sophisticated  
7 market participants and those that have more  
8 complex transactions, it could be substantially  
9 higher than that.

10 So I wouldn't want you to take from my  
11 response the message back to -- the expectation  
12 that it would be, for example, a hundred hour  
13 exercise.

14 MS. CHAMBERLIN: And as kind of an --

15 MR. BARRY: Jennifer can answer that  
16 better than I probably can.

17 MS. CHAMBERLIN: -- additional layer to  
18 that, in terms of time, the auditors actually  
19 spent no more than two or three weeks with us, and  
20 going back and writing the protocols. But they  
21 need some time to come up with the protocols.  
22 This is new, and when you thought oh, where's the  
23 guidelines, they need to have a fairly high level  
24 of confidence in what they're agreeing to. Their  
25 name's going on the bottom line.

1 MR. MASRI: Sure.

2 MS. CHAMBERLIN: And most of the big  
3 firms are very careful about where they put their  
4 name. I know they wanted a fair bit of time to  
5 think about this, look them over internally. In  
6 five or six years, heck, this may go really fast.  
7 But the first year or two takes a little more  
8 time.

9 Additionally, a lot of the preparation,  
10 you're putting together the -- making sure we have  
11 the correct reports, the diagrams, all those sorts  
12 of things, to give to the auditor. That takes  
13 some internal time, as well. We have to educate  
14 all of the people in our companies who need to be  
15 a part of this process, who need to gather this  
16 documentation, and it can't be done in a day or  
17 two. You know, it takes a little more time.  
18 Everyone's got other things going on.

19 And, you know, pulling that together and  
20 then trying to get a time when you've got  
21 everything together and your auditor has a couple  
22 of weeks that they can come in and spend with you,  
23 it just -- it gives a little flexibility. We  
24 tried to this. We pushed it through in about  
25 eight weeks last year. It was a little more

1       abbreviated protocol, it was tight. We had an  
2       auditor, it was a time of the year the auditor was  
3       willing to drop everything, which was really  
4       great.

5               But eight weeks felt very narrow for us  
6       last year, and there were a lot of people who  
7       needed an extra few days at the end, I think.  
8       Ours went in a couple days late. I think a lot of  
9       people's went in a couple days later than were  
10      supposed to.

11             So that's why we had asked for three  
12      months, given our last year's experience.

13             MS. DAVIS: Mr. Beebe.

14             MR. BEEBE: Yes, Bud Beebe. To  
15      paraphrase what Jennifer just said, there are  
16      really two parts to the cost. There's the cost of  
17      the audit itself, which I understand from last  
18      year, and I -- I can't quote you exactly, but I  
19      think that the audits ranged on the low side from  
20      somewhere around \$12,000 or something, and that's  
21      -- I don't know, because that wasn't our  
22      experience. Our experience was on the higher  
23      side, near -- near 19,000. So -- and that was the  
24      first time through, a lot of fumbling and  
25      bumbling.



1                   But that's only one part of the cost.  
2           The other part, as Jennifer rightly mentions, is  
3           that there's a great deal of internal cost to us  
4           across department lines for getting the  
5           information together so that the auditor will have  
6           it available. You know, what the auditor asks --  
7           excuse me, verify or asks for that the procedure  
8           carrier outer --

9                   (Laughter.)

10                  MR. BEEBE: -- asks for so that they'll  
11           have it available, because we don't want to waste  
12           their time, either. So there -- there are two  
13           pieces of the cost. You can't just look at the --  
14           the auditor's cost and capture the whole cost of  
15           the program.

16                  So these are, as you know, fragile  
17           programs out there in -- in utility land, and so  
18           they can't -- just can't carry a whole lot of  
19           costs. And we appreciate the help that you've  
20           been in keeping the costs low by allowing  
21           flexibility.

22                  And the last item, as Jennifer also  
23           mentioned, is that it takes eight weeks, absolute  
24           minimum. I mean, you -- you've got to make  
25           contact with your procedure taker-er. They have

1 to tell you what they need, you have to schedule  
2 time with your auditing staff, and -- and so the  
3 best case would be eight weeks, I would think.

4 MS. CHAMBERLIN: And asking for 12 will  
5 allow us, we think, to meet this a little more --  
6 we're dealing with a regulatory body now, not an  
7 independent body. They're going -- seem to be a  
8 little more firm, and I know that we're all doing  
9 our best to comply.

10 MS. DAVIS: And some companies haven't  
11 gone through this year.

12 MS. CHAMBERLIN: Yes. As I say, we now  
13 have a little more experience and -- and think  
14 that we know what we're doing, but there are a lot  
15 of companies who do not, and a lot of audit firms  
16 that do not. And we think that it's a reasonable  
17 period of time.

18 MS. DAVIS: Okay.

19 MS. GUERRERO: And I would add, in  
20 getting back to the sample that we've asked for.  
21 The documentation is useful. It helps us  
22 distinguish between the programs. It's -- it's  
23 efficient, and it helps us to be organized.  
24 Again, these are new programs. When you're in  
25 multiple states and -- and the requirements are

1 all different, it's -- it is something that we can  
2 show other regulators how organized California has  
3 been.

4 MS. DAVIS: Are you referring to the  
5 worksheets?

6 MS. GUERRERO: Yeah, the worksheets that  
7 actually Jennifer was commenting on before, the  
8 costs.

9 So having that as a reference point to  
10 guide us through the process is extremely useful.  
11 And again, those of us who've worked closely with  
12 it, we've become very familiar with the  
13 documentation, but it does apply to many entities  
14 within our companies, and for people to see what  
15 it is that we need to follow, the process, it just  
16 helps us be accurate, I think. It is an efficient  
17 process, so the documentation is very useful.

18 And I think that that's in part why we  
19 had, in our discussions, wanted to request some  
20 sort of a sample to follow. I know that in  
21 reading through the protocol you reference a flow  
22 chart, but I didn't actually see a flow chart  
23 example. And -- and I think also it gets to just  
24 we want, I think, as retailers, for what we're  
25 submitting to you to be consistent. That -- that,

1 to us, is a fair process.

2 What we don't want is for a regulator to  
3 request documentation from us, and then we're left  
4 to assume that you might -- you might accept many  
5 forms of that documentation, some that are more  
6 elaborate than others. To us, that's not a fair  
7 process. And so having consistent documentation  
8 for us to -- to fill out and submit to the  
9 Commission is a fair process, and it's thorough,  
10 and it's organized. And that's -- that helps us  
11 comply.

12 MS. CHAMBERLIN: And beyond that, since  
13 we're trying to push this to be a national basis,  
14 we're using the California, the more documentation  
15 we have, the more vivid and real it is when we  
16 show other regulators. And as national companies,  
17 many of us, we're looking to get some consistency.  
18 It makes it a little easier, and a little less  
19 expensive everywhere. And, again, it goes to the  
20 fairness issue about who's providing what.

21 MS. DAVIS: Mr. Chen.

22 MR. CHEN: Bill Chen. I'm still trying  
23 to get a handle, I guess, on the costs involved.  
24 My company has not yet gone through this process.  
25 I've heard one company mention a range of between

1       \$12,000 and \$19,000 for a full audit.

2               My question to you, Sean, is that based  
3       on your knowledge of a full audit, and then your  
4       knowledge for preparing this agreed-upon  
5       procedures, I know that you maybe cannot provide  
6       me with a, you know, an accurate estimate, but can  
7       you kind of give me an idea of what you think, you  
8       know, this may cost a company to prepare, you  
9       know, the report for the Customer Credit  
10      Subaccount and also for the Power Source  
11      Disclosure?

12              I know my question is maybe similar to  
13      this gentleman's, where you can't -- you may, you  
14      know, but --

15              MR. BARRY: I won't give you a clear  
16      answer, but let me just clarify, I think, what  
17      Bud's response was. The 12 to 19 range, that may  
18      have represented some of the market participants,  
19      that was for agreed-upon procedures. And I think  
20      what Bud was describing was compliance with the  
21      Green-e requirements last year, which I think are  
22      similar in scope to what's here, fundamentally.

23              My sense is that one or two of the  
24      market participants were above that range. But  
25      just to be clear to you, Bill, that was for

1       agreed-upon procedures work.

2               MS. DAVIS:   There was one market  
3       participant that was also far below that range.

4               MR. BARRY:   That's right.   And one that  
5       I suspect was well above that range.

6               MS. BRUCE:   Another point to make, too,  
7       is that it was an agreed-upon procedures report, I  
8       believe, that came in as the final report, but the  
9       instructions were to perform an audit.   So the  
10      auditor spent a significant amount of time, I  
11      believe, developing what the procedures should be,  
12      saying we can't do an audit; therefore, these are  
13      the things we can do, as well as writing the  
14      report.

15              That's what we really tried to eliminate  
16      by having a standard protocol to say here is the  
17      procedure, so that there isn't a lot of time that  
18      the auditor has to determine what needs to be  
19      done.   They just need to make the decision on are  
20      these program steps applicable to the entity that  
21      I'm performing these procedures upon, and then  
22      there was a sample report.   It gives a basis for  
23      following.

24              MR. BARRY:   Dana, I think that -- I want  
25      to emphasize that point, because Jennifer, in our

1 discussion that we had with you going through this  
2 process, you mentioned that was -- a significant  
3 part of the process was figuring out what it was  
4 that was going to be done.

5 MS. CHAMBERLIN: That wasn't actually  
6 what they charged us for, though. That was kind  
7 of a freebie for us.

8 MR. BARRY: Okay.

9 MS. DAVIS: Okay.

10 MS. CHAMBERLIN: They charged us just  
11 for the work.

12 MR. MASRI: Let me just ask one more  
13 thing about the cost. Let's say a company is not  
14 participating in the Customer Credit and is doing  
15 only the Retail Disclosure. Now they decide to  
16 come into Customer Credit. What would be the  
17 incremental costs for them to -- you know, would  
18 that be 50 percent more, 20? Rough, what would  
19 that be?

20 MR. BARRY: Real rough, once you --  
21 there's certain costs of getting an engagement  
22 going, if you will, of having people assigned and  
23 working on the reporting, and the rest of it. So  
24 I would expect that the difference between  
25 performing these procedures over one program

1       versus two, it's not a two to one ratio. I would  
2       -- I'm just going to guess that adding a program  
3       might add a third again to the costs.

4               So if you have a hundred hour basis, it  
5       might be another 30 or 40 hours. But that's a  
6       speculation.

7               MS. DAVIS: It seems like a lot of the  
8       documentation that they're looking at is -- is the  
9       same.

10              MR. BARRY: Absolutely.

11              MS. GUERRERO: And I would just add on  
12       costs, the internal costs that we're beginning to  
13       identify include upgrading your systems. Again,  
14       for national retailers who have multiple  
15       requirements to meet, I can tell you that the  
16       labels are different in every state.

17              Our systems, because this is a new  
18       business, because competitive electric markets are  
19       -- are new businesses for us, we have upgrades to  
20       our -- to our systems, to our deal trackers, that  
21       we have identified months ago. And then to meet  
22       those -- those priorities, and then to move into  
23       how we create systems around complying with  
24       disclosure, which is -- is different in all the  
25       states, that's an added cost for us, as well.



1                   We -- we've already looked at hiring IT  
2 professionals to come in and help us with the  
3 programming. You know, we want it to be an  
4 efficient process, so we want to have a system  
5 that's going to generate labels, but when they're  
6 all different, you know, the costs begin to rise.

7                   So it's important, you know, for  
8 retailers who are going to be competing on a  
9 national level to recognize that this is about --  
10 this protocol is about as certain as we're going  
11 to get. I mean, the other states are not even  
12 close to having final standards.

13                  And again, the CEC has been very  
14 cognizant of the cost issue, and we greatly  
15 appreciate that. You have tried to keep your  
16 protocol cost effective. We are not seeing the  
17 same kind of interest in other states. And for  
18 you to help us with that is, again, very useful  
19 for us, because we're seeing additional costs with  
20 the IT side, and -- and, you know, we don't have a  
21 -- we don't have a full cost for compliance yet.

22                  So it's important to be cognizant of --  
23 of those, as well.

24                  MS. DAVIS: More cost -- more cost  
25 issues?

1                   MR. BEEBE:  Actually, what I'd like to  
2                   do is backtrack.  You asked a question, and before  
3                   we get too much time between that question and  
4                   what I'd like to respond to.  I believe your  
5                   question was whether you felt that we would prefer  
6                   to have the companies fill out the forms and then  
7                   have the verifier verify what the company fills  
8                   out, or whether the verifier should fill out the  
9                   forms.

10                  Does that -- was that a question?

11                  MS. DAVIS:  Well, my understanding is  
12                  that the verifier will not fill out the form,  
13                  whether I want them to or not.  And so my question  
14                  really was what do these forms add.  And I was  
15                  looking just from the perspective of the Power  
16                  Source Disclosure Program, because we have the  
17                  annual retail supplier report forms, which really  
18                  contain almost all the information that are in  
19                  these worksheets.  I was wondering what is added  
20                  by having the retailer then fill out the same  
21                  information again in a worksheet.

22                  And what I heard in answer to that is  
23                  that, at least the worksheet that -- that helps --  
24                  that shows the auditor how the calculations were  
25                  made to develop the power content label is

1 helpful, as well as the fact that these worksheets  
2 have different columns for -- there's a column  
3 that says CEC only, another column that says  
4 Green-e only, and so it allows one set of  
5 worksheets to be used for potentially all the  
6 programs.

7 So that was the answer that I -- that I  
8 think I've heard.

9 MR. BEEBE: Yeah. Yeah, that's fine.  
10 That's fine.

11 MS. DAVIS: Okay.

12 MR. CHEN: I just wanted to make a  
13 comment. My company, AS NewEnergy, is not part of  
14 the written comments that have been submitted by  
15 the other retailers. However, I just wanted to  
16 say that thus far all the comments that I've heard  
17 presented by Enron and PG&E Energy Services, I  
18 completely agree with and support their comments.

19 MS. DAVIS: Oh, thank you very much.

20 MR. CHEN: And I just wanted you to know  
21 that.

22 MS. DAVIS: Jennifer, I believe you have  
23 more.

24 MS. CHAMBERLIN: I do. I have specific  
25 comments, and some of them I'll elaborate on, and

1       some of them are very simple and brief, and mostly  
2       can be read and interpreted in a less public  
3       forum.

4               One is -- what we have done is we've  
5       kind of -- I don't know if everybody has them in  
6       front of them or not -- we've done it by page  
7       number through the protocol, which was more  
8       straightforward for us. So I'll go just kind of  
9       in order.

10              One of our concerns was on the use of  
11       sampling techniques, which we support. We like  
12       very much the idea of using a smaller than 100  
13       percent population. However, one of the audit  
14       firms who did this process last year had a problem  
15       last year -- and again, looking through the  
16       protocols, we've all batted these around with our  
17       auditing firms -- with the idea of choosing the  
18       sample size. They felt very strongly that  
19       choosing a sample size on a statistical basis  
20       requires understanding the internal control  
21       environment of a company in a way that a casual  
22       auditor, someone who isn't doing full-scale  
23       financial audits for a company, wouldn't have when  
24       they're just coming in and agreeing to do some  
25       procedures.

1                   They felt very awkward about putting  
2           their name on something, saying that this is with  
3           a 95 percent confidence, and that whether we  
4           choose a sample size of 24 or 48, or 3,002, they  
5           felt very uncomfortable with -- with choosing that  
6           number.

7                   And we'd really like some guidance about  
8           how that should be done. And I don't know if  
9           that's something that we'd like to discuss, or  
10          something that you can give us a little more  
11          explanation. You really seemed pretty cut and  
12          dried that this was a very common thing, that this  
13          was something that anyone should be able to do,  
14          and they felt very adamant the other direction.

15                  So I don't know if this is a good forum  
16          to have a discussion like that.

17                  MR. BARRY: I can speak to that. The  
18          concept of audit sampling is one that is  
19          articulated in one of the standards for auditing  
20          standards, and it fundamentally relates to the  
21          ingredients that affect sample size are  
22          fundamentally the population size, the confidence  
23          in the -- in the answer, if you will, and we've  
24          established 95 percent as the guideline here.

25                  The common confidence levels are 90, 95,

1       and 99 percent, and the higher the confidence that  
2       larger the sample size.

3               MS. CHAMBERLIN:   Sure.

4               MR. BARRY:   And then the other is the --  
5       the error rate.   And it's a statistical element to  
6       it that what is the expected and what is the  
7       maximum tolerable error rate.

8               We, in order to -- well, I could simply  
9       put one size doesn't fits all.   I guess my  
10      personal view is that a sample size of pick a  
11      number, 50, isn't equally appropriate for a PG&E  
12      as it is for an XYZ company that may not have  
13      anywhere near the volume of transactions that a  
14      PG&E does.   So that's part of the reason why there  
15      are other ingredients or elements to the sampling  
16      calculation, is that volume is one of those  
17      ingredients.

18              Your question runs to internal control.  
19      I guess my suggestion may be that I believe that  
20      the other ingredients have merit in the  
21      calculation, all of them have merit in the  
22      calculation of sample size.   One potential  
23      solution is to stipulate in this protocol what the  
24      expected and -- error rate is.   And that would  
25      take the judgment out of the hands of the

1       auditors, be one more element you take out of the  
2       hands of the auditors, and would probably speak to  
3       your -- your issue.

4               MS. CHAMBERLIN: That would probably get  
5       some -- I think you're saying that in an auditing  
6       process, an auditing standard, there are ways of  
7       choosing. But they tended to feel that in -- if  
8       they were auditing us they would have no trouble  
9       choosing a sample size. Their audit, if the  
10      company was doing an audit, they said, from an  
11      agreed-upon procedures, is that you don't have all  
12      of the auditing --

13             MR. BARRY: Yeah, I --

14             MS. CHAMBERLIN: -- the auditing  
15      standards, some of them apply and some of them  
16      don't.

17             MR. BARRY: We -- we could spend -- in  
18      fact, I'd be happy to sort of offline do --

19             MS. CHAMBERLIN: Okay.

20             MR. BARRY: -- a little bit more. But I  
21      think the -- one of the possible resolutions is to  
22      stick to what you're -- what the expected error  
23      rate is.

24             MS. CHAMBERLIN: That may well solve it.

25             MR. BARRY: That will then set your four

1 parameters that drive the sample size to be  
2 objectively or -- or specifically determinable.  
3 And there won't be a judgment applied by the  
4 auditor.

5 MR. BEEBE: Would the error rate be on  
6 the number of accounts, or the -- the amount of  
7 energy served?

8 MS. CHAMBERLIN: Good question.

9 MR. BARRY: It depends on what you're  
10 testing. So if it's -- if you're testing how  
11 accurately an invoice rolls up to the system, then  
12 it would be on the population of -- of invoices.

13 MR. HERRERA: Sean, what would be the  
14 downside of specifying the error rate? I mean,  
15 why wasn't it included before?

16 MR. BARRY: Actually, Jennifer touched  
17 on it, that the -- the expected error rate is  
18 reflective a little bit of the -- of the quality  
19 of the control environment, okay, so that it -- it  
20 -- to the extent that someone applies some  
21 judgment to what that expected error rate is, that  
22 theoretically results in a little better sample  
23 size selection.

24 But I guess the answer, the short answer  
25 to your question, I don't think there's a lot of



1 risk or downside of stipulating what that error  
2 rate is. I guess fundamentally the -- the risk is  
3 that if an auditor knew that the error rate was  
4 really higher than -- or expected error rate was  
5 higher than one percent, but it was stipulated at  
6 one percent, the auditor might come up with a  
7 sample size that was larger than what would be  
8 driven by a stipulated error rate.

9 So I guess the risk is you'd end up --  
10 the CEC would end up getting a report that  
11 addresses a sample size of 50, when really 70  
12 theoretically was more appropriate. We're getting  
13 into degrees of theory.

14 MS. DAVIS: Meredith, if you have  
15 comments please come up.

16 MS. WINGATE: I'm Meredith Wingate, with  
17 the Center for Resource Solutions. And my  
18 question is, so what you're saying, if you provide  
19 the error rate then there's just a simple  
20 algorithm or -- of some sort that any certified  
21 auditor would know how to figure out the sample  
22 size?

23 MR. BARRY: Should, yeah.

24 MS. WINGATE: Okay. And can you be more  
25 specific than just the error -- than just

1 providing the error rate, could you provide what  
2 that, you know, how to figure out what the sample  
3 size is?

4 MR. BARRY: I suppose that the CEC could  
5 decide to have a -- a piece in here that is more  
6 elaborate on the concepts of audit sampling. I --  
7 I guess my personal judgment is that a competent  
8 auditor ought to be able to get there. But it's  
9 possible.

10 MS. DAVIS: There's -- there's tables  
11 that auditors will use in selecting sample sizes  
12 based upon what these criteria is, and I think we  
13 included in there saying that -- that they could  
14 do that, or --

15 MR. HERRERA: Sean, by fixing the error  
16 rate, does this translate into a percentage, so  
17 instead of, say, 50 or 100, as noted in the  
18 comments from the marketers, it would translate  
19 into some percentage, ten percent or something, or  
20 --

21 MR. BARRY: Yeah. Again, the caution is  
22 that -- when we worked out the statistical  
23 sampling that maybe everybody wants to hear, but  
24 the concept is that if you have a reasonably high  
25 control environment, let's call it normal, the

1 percentage of population you need to test goes  
2 down as the population gets larger.

3 And I'll just pick on PG&E because they  
4 -- we know they have a large volume of  
5 transactions. The end sample size would probably  
6 be far less than one percent of their  
7 transactions. A smaller retail provider might end  
8 up with a sample size that's maybe as much as 25  
9 or 50 percent of the population, because they only  
10 have a hundred transactions.

11 So it's -- it's a sliding scale.

12 MS. DAVIS: Mr. Beebe.

13 MR. BEEBE: Yeah. I -- we can be  
14 comfortable. I -- since you have not stipulated  
15 an error rate in the -- in the initial protocol,  
16 that left it open ended as to what we were going  
17 to do there. And listening to this, I think we  
18 could become comfortable with that.

19 But the reason that we had put in there  
20 the simple numbers of 50 or 100 was to facilitate  
21 getting a -- a reasonable number on the table that  
22 we could use by, say, the first of March, so that  
23 we could start our processes. And if -- if it was  
24 going to cloud the issue to come up with both a --  
25 a confidence level and a -- and an error rate, and

1       so forth, if that was going to cloud the thing,  
2       then we'd rather have a -- a stated number, yeah,  
3       that was good enough, because -- because we know  
4       who we're talking about here. We know about the  
5       numbers of -- of accounts or energy, and I think  
6       that's another point that needs to be clarified,  
7       that need to be sampled.

8               So we could like just say a number,  
9       everybody could walk off with it for this year  
10      only, so that as we got down the line and  
11      clarified the protocol on both error and  
12      confidence level we could -- other people would --  
13      it would be a better process later.

14             That was the reason for stating 50 or  
15      100, and I like 50.

16             (Laughter.)

17             MR. BARRY: I'll just make one last  
18      comment on that, if you'd like.

19             MS. DAVIS: Okay.

20             MR. BARRY: But you just want to get it  
21      done and moving.

22             MR. BEEBE: Exactly.

23             MR. BARRY: The -- I think that if you  
24      stipulate a sample size you could actually end up  
25      with more work than you really wanted done, and

1 I'll use the example on the supply side. On the  
2 low side, you're talking about a number of  
3 individual transactions with customers, and so the  
4 population tends to be larger on the supply side.  
5 It could be as simple as one invoice per month  
6 from an energy source provider -- excuse me, from  
7 a generator.

8 So, you know, obviously 50 doesn't work,  
9 because we have only 12 to start with. Do you do  
10 all 12, or do you use sampling techniques to get  
11 you some number less than 12? You may actually  
12 like the answer better if you use statistical  
13 sampling.

14 MS. DAVIS: Shall we move on to the next  
15 comment?

16 MS. CHAMBERLIN: As we move slightly on  
17 to the supply side, on page 9, and we talk about  
18 verification of purchases.

19 At one point there's a report of pricing  
20 for kilowatt hours purchased by day. We strongly  
21 suggest that they move to month. Our reports have  
22 all been monthly. Most of our invoices are  
23 monthly. Unless you're a very, very active trader  
24 most of us don't have daily information. And then  
25 we have to try and figure out how did that

1       actually work by day. And that can vary  
2       immensely, because usually you've just bought a  
3       block of kilowatt hours. And you get into very  
4       intricate scheduling information that might not  
5       necessarily have been called for.

6               MR. BARRY: My opinion is that's a good  
7       point. And I think maybe for -- a solution may be  
8       to actually put day or month as appropriate, or  
9       something along those lines.

10              MS. CHAMBERLIN: That would be --

11              MR. BARRY: I think that's -- that's an  
12       excellent point.

13              MS. CHAMBERLIN: That'd be fine. There  
14       may be people with daily information, and that's  
15       great. But --

16              MR. BARRY: Yeah.

17              MS. CHAMBERLIN: Okay. On page 10 and  
18       11 -- lost my mind here momentarily, I apologize.  
19       We thought that this was very ambiguous, Paragraph  
20       C1. And -- oh, I'm -- sorry.

21              MR. BARRY: That's the bottom of page  
22       10, right?

23              MS. CHAMBERLIN: Yes, I apologize.

24              We thought that this was a little  
25       ambiguous. It said that we could look at a number

1 of records, including contracts or billing  
2 invoices, or whatever we had to prove this.  
3 However, ultimately it said but if there was a  
4 problem it should go to billing invoices. What  
5 we're trying to figure out is if you actually  
6 meant we could use anything, and if everything  
7 reconciled, fine, we were in great shape. If it  
8 didn't reconcile, we needed to use billing  
9 invoices, or quite what the intent was. We're  
10 just looking for a little clarification.

11 MR. BARRY: We'll try to answer that. I  
12 did see your comments late last night, so I  
13 haven't had, you know, had a chance --

14 MS. CHAMBERLIN: No, that's fine. I --

15 MR. BARRY: -- to fully prepare.

16 I think the issue that we're wrestling  
17 with is the fact that -- that this relates to  
18 source of supply. And sometimes the billing  
19 invoice itself may not have the supply generator  
20 identified explicitly, so you may have to look at  
21 other information, and -- and somehow tie a line  
22 and validate a line from that other information to  
23 the invoice.

24 And I believe that was the -- that was  
25 the intent here.

1 MS. CHAMBERLIN: Okay.

2 MR. BARRY: But I -- go ahead.

3 MS. DAVIS: But -- I was just going to  
4 say we really want to have billing invoice  
5 information, because we feel that that is I guess  
6 a better source of information that the actual  
7 purchase occurred.

8 MS. CHAMBERLIN: I mean, I have no  
9 problem supplying invoices. It was just a little  
10 unclear about what was actually being looked for,  
11 so it may be -- maybe it's a case of just a little  
12 wordsmithing to make sure --

13 MS. DAVIS: Okay, clarify it.

14 MS. CHAMBERLIN: We -- we sat around the  
15 room and six people had six different opinions  
16 about what it might've said, so.

17 MS. DAVIS: Okay. We need to clarify  
18 it.

19 MS. CHAMBERLIN: Again, G2, on page 16.  
20 We also had a little difficulty interpreting this.  
21 We were all trying to figure out cases in which it  
22 might be applicable. This was obtain selective  
23 customers invoiced from a retail supplier and  
24 examine the invoice to determine if there are any  
25 energy charges from another registered renewable



1 provider.

2 We had some difficulty about how that  
3 would be possible. I don't know if we could get  
4 invoices from the utility. Usually, you have a  
5 contract and you're their supplier, and if someone  
6 else is charging them we -- we understood that  
7 that could be kind of implications, but we kind of  
8 recommended deleting that. We thought this was a  
9 pretty --

10 MR. BARRY: We'll study that. I think  
11 you've got a good point. The thought here, again  
12 without going into great detail, was that there  
13 will -- in this new world we live in, there will  
14 be a single invoice to a customer, and there will  
15 be charges stemming from a variety of sources.  
16 And it was an attempt to try to address that. But  
17 let me take your suggestion in hand, and we'll  
18 talk with CEC staff about how to clarify that.

19 MS. CHAMBERLIN: Yeah, I -- I think our  
20 thought on that was that if there were other  
21 charges it probably wouldn't be on our invoices.  
22 We wouldn't have access to a utility invoice to  
23 prove that. Without trying to get it from a  
24 customer it should be very difficult in this  
25 agreed-upon procedures situation.

1                   MR. BARRY: The fact that you're stating  
2                   this confusion is --

3                   MS. DAVIS: Yeah, thank you.

4                   MS. CHAMBERLIN: Beyond that, we went on  
5                   page 22, B3. We'd just like some clarification on  
6                   exactly what ascertains we want. We suspect and  
7                   suggest that these are the same as essentially the  
8                   new proof of purchase sort of forms that we attach  
9                   with the Customer Credit monthly reports. If that  
10                  is the case, we'd like to use them and have it say  
11                  so, and include them. If it's not, we'd like a  
12                  little more definition on what the actual -- what  
13                  you actually want attached there. And if you're  
14                  not in the credit program, we recommend that you  
15                  just use an affidavit that's very similar.  
16                  Everyone's got access to that report.

17                  MS. DAVIS: I'm sorry, what was that  
18                  last comment? If you're not in the customer  
19                  credit --

20                  MS. CHAMBERLIN: If you're not in the  
21                  customer credit and you're doing this just -- just  
22                  for the -- the power content label verification,  
23                  if you're making specific purchases, we recommend  
24                  that -- that you use the same format in your  
25                  affidavit so that they look like the same ones

1       that if you were participating in the report.

2               They're fairly publicly available. We  
3       thought that would be fairly straightforward.

4               MS. BRUCE: I'm sorry, I have a question  
5       on this. Is this because the -- this management  
6       assertion is already submitted as part of the  
7       monthly performance reports?

8               MS. CHAMBERLIN: It's not, but the  
9       management assertion references other assertions,  
10      or other affidavits about purchases. And we  
11      weren't quite sure exactly what -- what it was  
12      referencing. We --

13              MS. BRUCE: Okay.

14              MS. CHAMBERLIN: -- we suspected it was  
15      -- it was these affidavits, or these assertions  
16      that we submit monthly for the credit reports.

17              MS. BRUCE: Okay.

18              MS. CHAMBERLIN: But we weren't  
19      positive. So we wanted to make sure again. We  
20      are really interested in keeping really clear  
21      documentation so we know exactly what we're  
22      supposed to be giving you.

23              And our last, on page 23, Item 12, under  
24      Electricity Supply Report. We'd like to delete  
25      the words "by day" simply in support of our

1 previous comment on page 9 and 10, about monthly  
2 and daily reporting.

3 And that was really the extent of our  
4 specific report. We found this to be -- be pretty  
5 good. And we're pretty pleased.

6 MS. DAVIS: Great. Thank you very much,  
7 Jennifer.

8 Does anyone else have prepared comments  
9 or any -- oh, Jan Pepper.

10 MS. PEPPER: I don't have any written  
11 comments, but I do have some comments.

12 I'm Jan Pepper, with APX. I also wanted  
13 to applaud your efforts in putting this together.  
14 I had some specific comments for -- that I wanted  
15 to get clarified.

16 I agree with some earlier comments that  
17 others have made that it would be helpful to have  
18 all of the forms defined, so that, you know, we  
19 just fill out those forms. And it removes the  
20 uncertainties for the companies that are doing  
21 these reports, and it removes the uncertainties  
22 for the accountants that are working with us and  
23 thereby helps keep the cost low.

24 MS. DAVIS: And you also are speaking  
25 about the worksheets?

1 MS. PEPPER: Yeah. Just having  
2 everything defined as to what we're supposed to  
3 fill out, so that we do it right, and we do it  
4 right the first time.

5 In reading through the protocol, I mean,  
6 APX is different than a lot of the other  
7 organizations that are participating in this.  
8 And, you know, because we're a registered  
9 renewable wholesaler. I was a little confused in  
10 reading through this when the term "power pool"  
11 and "unregistered renewable wholesaler" was used.  
12 I wasn't exactly sure what was being talked about  
13 there. It talks about reports from power pools.  
14 I'm not aware that there are any such reports.  
15 And so I thought that maybe needed clarification.

16 For example, on page 3, it's just, you  
17 know, the -- it says participating retail  
18 supplier, power pool, registered renewable  
19 provider and registered renewable wholesaler. I  
20 know what three out of four of those are.

21 MS. DAVIS: Let me explain -- explain  
22 briefly why all those terms are used. And that's  
23 because of our two programs developed separately,  
24 and we came up with different terms for --

25 MS. PEPPER: Okay.

1 MS. DAVIS: -- for the different  
2 entities. For instance, the renewables program  
3 refers to -- well, what we call providers is  
4 suppliers, and we call -- well, we're going to --  
5 we call them retailer suppliers and you call them  
6 providers. And with regard to APX, I believe you  
7 are a Registered Renewable Wholesaler; right? Or  
8 --

9 MS. PEPPER: In the -- yeah, in the  
10 Renewables Program. And I guess we're a power  
11 pool in --

12 MS. DAVIS: Right. You're a power pool  
13 under the --

14 MS. PEPPER: Okay.

15 MS. DAVIS: -- Power Source Disclosure  
16 Program. So -- and we apologize for all these  
17 different terms, but we -- we did want to make  
18 sure that if a party was -- was just in one --  
19 being audited for one program or another, that  
20 they understood which parts -- that the language  
21 was consistent with the -- either the guidebook or  
22 the regulations, and that they understood which  
23 parts applied to them.

24 MS. PEPPER: Okay. Well, maybe if  
25 another paragraph could be added here that defines

1        what the different programs define them as, and  
2        maybe working towards using similar terms in the  
3        future as the guidelines are revised, that would  
4        be helpful.

5                But that's basically our comments. I  
6        mean, again, we always support keeping the costs  
7        low. We want the -- you know, we'd like to see  
8        Green Power and Renewable Power used a lot within  
9        the state, and keeping the costs as low as  
10       possible for -- for this program will help to make  
11       that happen.

12               Thanks.

13               MS. DAVIS: Thank you, Jan.

14               So is there anyone else, either with  
15       prepared comments or just comments about issues  
16       that were raised here earlier? Well, it looks  
17       like we're done much earlier than we thought,  
18       which is a good thing.

19               Well, we will be -- once we receive the  
20       transcript we'll be going over the comments and  
21       meeting with PricewaterhouseCoopers, and revising  
22       the protocol as we see fit.

23               So thank you, everyone, for attending.

24               (Thereupon, the Workshop was  
25       concluded at 11:35 a.m.)

## CERTIFICATE OF REPORTER

I, DEBI BAKER, an Electronic Reporter,  
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